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Issues: Rate Design
Class Cost of Service
Witness: Michael S. Scheperle
Sponsoring Party: MO PSC Staff
Type of Exhibit: Rebuttal Testimony
Case No.: ER-2012-0345
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MISSOURI PUBLIC SERVICE COMMISSION

REGULATORY REVIEW DIVISION

REBUTTAL TESTIMONY

OF

MICHAEL S. SCHEPERLE

THE EMPIRE DISTRICT ELECTRIC COMPANY

CASE NO. ER-2012-0345

*Jefferson City, Missouri
January 2013*

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

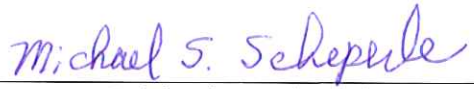
In the Matter of The Empire District)
Electric Company of Joplin, Missouri)
Tariffs Increasing Rates for Electric)
Service Provided to Customers in the)
Missouri Service Area of the Company)

Case No. ER-2012-0345

AFFIDAVIT OF MICHAEL S. SCHEPERLE

STATE OF MISSOURI)
) ss
COUNTY OF COLE)

Michael S. Scheperle, of lawful age, on his oath states: that he has participated in the preparation of the following Rebuttal Testimony in question and answer form, consisting of 5 pages of Rebuttal Testimony to be presented in the above case, that the answers in the following Rebuttal Testimony were given by him; that he has knowledge of the matters set forth in such answers; and that such matters are true to the best of his knowledge and belief.



Michael S. Scheperle

Subscribed and sworn to before me this 15th day of January, 2013.





Notary Public

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1 **REBUTTAL TESTIMONY**

2 **OF**

3 **MICHAEL S. SCHEPERLE**

4 **THE EMPIRE DISTRICT ELECTRIC COMPANY**

5 **CASE NO. ER-2012-0345**

6 Q. Please state your name and business address.

7 A. My name is Michael S. Scheperle and my business address is Missouri Public
8 Service Commission, P. O. Box 360, Jefferson City, Missouri 65102.

9 Q. Are you the same Michael S. Scheperle who filed, on December 13, 2012,
10 direct testimony in question and answer format and as part of the Missouri Public Service
11 Commission Staff's (Staff's) Rate Design and Class Cost-of-Service Report?

12 A. Yes, I am.

13 Q. What is the purpose of your rebuttal testimony?

14 A. The purpose of this testimony is to respond to the revenue-neutral adjustments
15 requested by The Empire District Electric Company ("Empire") for any increase ordered by
16 the Commission in this case. I further discuss the differences in various rate schedules' rates
17 for recovery of demand-side management ("DSM") programs' costs as proposed by Empire
18 and by Staff. Staff recommends that the Commission not adopt Empire's DSM cost recovery
19 method, because it does not comply with the Missouri Energy Efficiency Investment Act's
20 ("MEEIA") provisions concerning opt-out customers.

21 **Interclass Revenue-Neutral Rate Design Differences**

22 Q. What are the interclass revenue-neutral adjustment proposals recommended by
23 Empire and Staff?

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1 A. Outlined below in Table 1 are Empire's¹ and Staff's interclass revenue-neutral
2 recommendations. It appears that Empire's and Staff's revenue-neutral recommendations are
3 similar for the commercial space heating class, special transmission service contract: Praxair,
4 total electric building class, feed mill and grain elevator class, large power class, and the
5 lighting and miscellaneous class with both Empire and Staff recommending the system
6 average increase for these classes. The minor differences are the residential class, commercial
7 building class and general power class. Based on Staff's class cost-of-service "(CCOS")
8 study, Staff recommends adjustments be made first on a company-wide revenue neutral basis
9 to the residential class, commercial building class and general power class. The residential
10 class should receive a positive 0.5% adjustment. The commercial building class and general
11 power class should receive a negative adjustment of approximately 0.82%. These
12 adjustments are minor and entail less than 1% revenue-neutral adjustments.

13 Q. Did any other party in this case file a class cost-of-service "(CCOS") study or
14 rate design recommendation except Empire and staff?

15 A. No. No other party filed a CCOS study or rate design recommendation in
16 direct testimony except Empire and Staff.

¹ Empire requestes to distribute the 7.60% increase evenly to all customer classes. Empire is requesting a 7.60% across the board increase to all base tariff charges for all rate plans with the exception of the Residential (RG) and Commercial (CB) rate plans. Empire has requested a 15.2% increase in the customer charge for the RG and CB rate plans (Direct Testimony, Aaron Doll, p. 12). Additionally, Empire requests revenue-neutral cost shifts for the Municipal Street Lighting and Private Lighting (Direct Testimony, Samuel McGarrah, p. 4).

Table 1

Customer Class	Empire Proposal	Staff Proposal
Residential	Sys. Avg.	+0.5% + Sys. Avg.
Commercial Building	Sys. Avg.	-0.82% + Sys. Avg.
Commercial Space Heating	Sys. Avg.	Sys. Avg.
General Power	Sys. Avg.	-0.82% + Sys. Avg.
Special Transmission Service Contract: Praxair	Sys. Avg.	Sys. Avg.
Total Electric Building	Sys. Avg.	Sys. Avg.
Feed Mill and Grain Elevator	Sys. Avg.	Sys. Avg.
Large Power	Sys. Avg.	Sys. Avg.
Lighting and Miscellaneous (Street, Private, Special, Miscellaneous)	Intaclass shifts + Sys. Avg.	Sys. Avg.

DSM Cost Recovery Rate Design

Q. Does Staff agree with Empire’s DSM cost recovery rate design recommendation?

A. No, Staff does not. Empire’s recommendation is that the revenue requirement for recovery of DSM programs’ costs be included in retail rates without an opt-out provision to comply with Section 393.1075, RSMo (Supp. 2011). Section 393.1075.7, .8, .9 and .10 state:

7. Provided that the customer has notified the electric corporation that the customer elects not to participate in demand-side measures offered by an electrical corporation, none of the costs of demand-side measures of an electric corporation offered under this section **or by any other authority**, and no other charges implemented in accordance with this section, shall be assigned to any account of any customer, including its affiliates and subsidiaries, meeting one or more of the following criteria:

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1 (1) The customer has one or more accounts within the service territory of the
2 electrical corporation that has a demand of five thousand kilowatts or more;

3 (2) The customer operates an interstate pipeline pumping station, regardless
4 of size; or

5 (3) the customer has accounts within the service territory of the electrical
6 corporation that have, in aggregate, a demand of two thousand five hundred
7 kilowatts or more, and the customer has a comprehensive demand-side or
8 energy efficiency program and can demonstrate an achievement of savings at
9 least equal to those expected from utility-provided programs.

10 8. Customers that have notified the electrical corporation that they do not wish
11 to participate in demand-side programs under this section shall not
12 subsequently be eligible to participate in demand-side programs except under
13 guidelines established by the commission in rulemaking.²

14 9. Customers who participate in demand-side programs initiated after August
15 1, 2009, shall be required to participate in program funding for a period of time
16 to be established by the commission in rulemaking.³

17 10. Customers electing not to participate in an electric corporation's demand-
18 side programs under this section shall still be allowed to participate in
19 interruptible or curtailable rate schedules or tariffs offered by the electric
20 corporation.

21 (Emphasis added).

22 Q. What is Staff's interpretation of Section 393.1075?

23 A. Staff interprets the "or by any other authority" language within Section
24 393.1075 (as highlighted above) to include recovery of DSM programs' costs the Commission
25 approved as part of its June 1, 2011 *Order Approving Global Agreement*⁴ in Case No.
26 ER-2011-0004. In other words, Staff interprets Section 393.1075 to allow a customer, who
27 otherwise qualifies, to opt-out of DSM programs and DSM programs' costs that the

² Guidelines are established in 4 CSR 240-20.094(6)(H): "Revocation. A customer may revoke an opt-out by providing written notice to the utility and commission two to four (2-4) months in advance of the calendar year for which it will become eligible for the utility's demand-side program's costs and benefits. Any customer revoking an opt-out to participate in a program will be required to remain in the program for the number of years over which the cost of that program is being recovered, or until the cost of their participation in that program has been recovered."

³ Guidelines are established in 4 CSR 240-20.090(6)(I): "A customer who participates in demand-side programs initiated after August 1, 2009, shall be required to participate in program funding for a period of three (3) years following the last date when the customer received a demand-side incentive or a service."

⁴ The Global Agreement specifies the following in Paragraph 13. d: "Authorize continued amortization of the DSM regulatory asset for cost incurred during the Regulatory Plan for a term of 10 years. The costs of the DSM market potential study will be included in the regulatory asset;" and in Paragraph 13. e: "Authorize an amortization for DSM program costs incurred after the end of the Regulatory Plan and prior to program implementation under MEEIA for a term of six years."

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1 Commission has not approved under the MEEIA and the Commission's MEEIA rules and,
2 therefore, not pay the costs of those programs.

3 Q. What is Staff's recommendation for recovery of DSM programs' cost?

4 A. Staff recommends that there be a separate DSM programs' cost recovery rate
5 on rate schedules (residential class, commercial building class, commercial space heating
6 class, general power class, special transmission service contract: Praxair class, total electric
7 building class, feed mill and grain elevator class, and large power class) along with another
8 rate to reflect either: 1) rate including the DSM cost recovery rate (applied to those who have
9 not opted out of DSM), or 2) rate excluding the DSM cost recovery rate (applied to those who
10 opted out of DSM).

11 Q. Does this conclude your rebuttal testimony?

12 A. Yes, it does.